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DEPT FOR EUR/AGS, INR/EU, AND EUR/PPD FOR YVETTE SAINT-ANDRE

OSD FOR COMMANDER CHAFFEE

WHITEHOUSE FOR NSC/WEUROPE

E.O. 12958: N/A
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SUBJECT: AUSTRIAN MEDIA HIGHLIGHTS: April 10, 2007

Chance to Back Out Of Eurofighter Deal?

11. Austrian Chancellor Alfred Gusenbauer of the SPOe, and the head of the parliamentary inquiry into the Eurofighter deal, Peter Pilz of the Green Party, believe the country's chances to get out of the purchase contract have increased. Last week new documents surfaced which allegedly confirmed business arrangements between Austrian "Airchief" Eric Wolf and Erhard Steininger, the lobbyist for EADS, worth around 88,000 Euros. Wolf will be questioned by the Defense Ministry's disciplinary committee today. All Austrian media report on the "offensive" against "Airchief" Wolf and his wife over allegations of a conflict of interest, which might provide the grounds for backing out of the Eurofighter contract. Eric Wolf has been accused of partiality in the decision to purchase the jets, after reports surfaced last week showing that he was the authorized representative of a firm that benefited from business connected to EADS. Social Democrat Guenther Kraeuter who also sits on the parliamentary panel investigating the purchase of the Eurofighters, says this apparent conflict of interest could be possible grounds for getting out of the contract to buy the jets. The Social Democrats have been against purchase of the jets from the beginning, the Wiener Zeitung notes. Similarly, independent provincial daily Salzburger Nachrichten quotes Chancellor Gusenbauer as saying Austria's chances to cancel the purchase deal had now increased. Cash flows from EADS lobbyist Steininger to the advertising company of Wolf's wife "clearly violate the very specific clause stating no one connected with the process of awarding the contract for the jets is permitted to profit from the deal," Gusenbauer pointed out. Centrist daily Die Presse meanwhile suggests that the SPOe's push to back out of the purchase contract is threatening to split the coalition government, as the OeVP continues to defend the deal.

Gusenbauer Pleased with Coalition

12. Chancellor Alfred Gusenbauer has said he is pleased so far with the work of the coalition government of his Social Democrats (SPOe) and the People's Party (OeVP). He pointed out the coalition partners had worked together to complete a "double budget" for 2007 and 2008, and had also been able to work on a social correction of pension reform and to propose a joint strategy for climate control. Chancellor Alfred Gusenbauer in an interview with Austrian Press Agency APA says he is pleased with the work of the coalition government. The Chancellor emphasized the OeVP had come out of a "long-time deadlock on social political themes" and had now opened the window to more cooperation. Gusenbauer stressed that after three months of coalition government, much had been worked out between the

two parties. Next week, talks will be held in Brussels over the question of places for foreign medical students in Austrian universities and on Austria's quota for greenhouse gas emissions, semi-official daily Wiener Zeitung notes. Here in Vienna talks will also be held with NGOs on a number of items.

Anger over Iran's Nuclear Ambitions

¶3. The United States and other Western powers have strongly criticized Iran's announcement on Monday that it had begun industrial-scale nuclear fuel production. Washington is seeking to bring more diplomatic pressure on Iran, and has emphasized Tehran is continuing to defy the international community and is further isolating itself. Iranian President Mahmoud Ahmadinejad stated on Monday that his country had "joined the nuclear club of nations." Semi-official daily Wiener Zeitung quotes a White House spokesperson as stressing the United States is "deeply concerned" about Iran's announcement on Monday it had reached industrial-scale uranium enrichment capabilities. Restrictions or limitations by Tehran of its cooperation with the International Atomic Energy Agency were "unacceptable," the spokesperson added. Likewise, Moscow labeled Ahmadinejad's move a "direct challenge to the world community." Liberal daily Der Standard reports on Tehran's "breakthrough in uranium enrichment," pointing out that the extent to which the recent UN sanctions against Iran have become effective remains doubtful: Mohammed Baker Solkadr, Iranian General and Deputy Interior Minister, who has been put on the list of travel-embargoed persons, was allegedly able to leave the country unhindered and visit Russia only last week. The daily also reports that Iran's President Ahmadinejad has underscored he would not permit other countries to curb Iran's nuclear capabilities. ORF online news meanwhile quotes Michael Levi, an expert with New York's Council on Foreign Relations, as pointing out, "Politically, it is more important to put up 30,000 centrifuges than actually have them up and running regularly." Levi expressed his doubt about the veracity of Ahmadinejad's statements. The expert also underscored that the international community was "making the mistake of taking Iran and its frightening claims all too seriously."

Demonstration in Iraq

¶4. In Iraq, tens of thousands of people waving Iraqi flags staged a peaceful demonstration in the city of Najaf in the southern part of the country yesterday to demand the withdrawal of US forces. The protests came four years to the day after Baghdad fell to the invading American troops. Foreign observers argue the climate of fear and oppression during Saddam Hussein's rule may contribute to the fact that Iraqis today are incapable of peacefully addressing the country's unresolved ethnic, religious and political conflicts. Like all Austrian media reporting on developments in Iraq, semi-official daily Wiener Zeitung says that among Iraqis the "call for a US pullout keeps getting louder." Independent provincial daily Salzburger Nachrichten writes about "fear, anger and frustration in Iraq," and argues that four years after Saddam Hussein's regime was toppled, "despair and resignation are predominant" in the country. In their struggle for survival, many Iraqis these days are "clinging to their ethnic or religious groups, and foreign observers have compared the situation in Iraq to a "pressure cooker, where the lid suddenly blows off." Meanwhile, liberal daily Der Standard argues that the US security plan to "reestablish law and order in the Iraqi capital is last hope and final chance for many people in Baghdad to avert compete chaos."

US to Move against China over Intellectual Property Claims

¶5. The United States is bringing legal action against China over what it calls inadequate protection against counterfeiting American goods. US Trade Representative Susan Schwab stressed China had failed to protect intellectual property rights which cost US companies billions of dollars every year. Austrian radio early morning news Morgenjournal quotes US Trade Representative Susan Schwab about Washington's dispute with China over intellectual property rights: "We see specific, significant

World Trade Organization-related problems that bilateral dialogue simply has not been able to resolve. Current Chinese laws impede effective attacks on piracy and counterfeiting. Legitimate audiovisual products and publications continue to face serious problems with market access."

McCaw